

LEASE AGREEMENT

This Lease Agreement [Lease] entered into as of _____, 2002, is entered into between the City of San Diego, a municipal corporation [CITY], and the Friends of Torrey Pines, LLC [LESSEE].

RECITALS

A. LESSEE is a limited liability corporation organized for the main purpose of promoting San Diego as a venue for the United States Open Championship conducted annually by the United States Golf Association [USGA], and for the purposes of organizing and operating a United States Open Championship in San Diego.

B. The USGA is a non-profit corporation committed to promoting policies and programs "For The Good of The Game" of golf. The USGA supports golf associations throughout the country, including the San Diego County Junior Golf Association and the San Diego County Women's Golf Association.

C. CITY is the owner and operator of Torrey Pines Golf Course, located at 11480 North Torrey Pines Road, in the City of San Diego, California.

D. The CITY desires to contribute to a balance of community, cultural, recreational, and promotional programs designed to enhance the well-being of the City of San Diego by encouraging a well-known and established national sporting event, such as a national golf championship, to be held in the City of San Diego.

E. The USGA has indicated a desire to use Torrey Pines Golf Course as the venue for the 2008 United States Open Championship to be held from June 12, 2008 to on or after June 15, 2008 [the Championship], and has agreed to enter into an agreement with LESSEE [the Championship Agreement] to govern the USGA's production of the Championship. The final selection is, however, conditional upon the execution of this lease and certain third party agreements. LESSEE seeks permission from CITY to use the Torrey Pines Golf Course for the Championship and intends to pay CITY an agreed to rental fee for use of the Torrey Pines Golf Course for the Championship.

F. CITY intends to allow LESSEE to use the Torrey Pines Golf Course, on the terms and conditions set forth in this Lease.

G. LESSEE further intends to use certain available proceeds from the Championship to benefit CITY's Park and Recreation Department, parks, and recreational programs, and charities in San Diego.

H. CITY and the Century Club of San Diego have previously entered into a Memorandum of Understanding for Special Event at Torrey Pines Golf Course, dated June 14, 2001 [Memorandum of Understanding], which contemplates the lease of the Torrey Pines Golf

Course to Lessee should the Torrey Pines Golf Course be selected by the USGA as the venue for the U.S. Open Championship. LESSEE is the duly assigned successor of the Century Club pursuant to the terms of the Memorandum of Understanding. It is the intent of the parties that this Lease and all of its terms supercede the Memorandum of Understanding.

I. USGA and/or LESSEE may, contemporaneous with this Lease, enter into agreements with third parties that lease property at the Torrey Pines Golf Course for the use of that property during the Championship.

NOW, THEREFORE, in consideration of the recitals and the mutual obligations of the parties as herein expressed, CITY and LESSEE agree as follows:

SECTION 1: LEASED PROPERTY

1.1 CITY leases to LESSEE, and LESSEE leases from CITY, the Torrey Pines Golf Course as set forth in Exhibit A, attached and incorporated herein by this reference, including: the South Course [the Championship Course] and the North Course [collectively, the Courses], all buildings (including the clubhouse), facilities, offices and parking located on the grounds and not subject to a lease with a Third Party Vendor (as defined herein) as of the date of this Lease, all equipment and facilities related to the operation of the Courses, all personal property owned by CITY and used in the operation of the Courses, as well as utilities, used in connection with the operation of the Courses, but specifically excluding the maintenance facilities [the Leased Property] on the terms and conditions set forth in this Lease.

1.2 LESSEE and CITY acknowledge and agree that unless any real or personal property of CITY which is located on or at the Course grounds at 11480 North Torrey Pines Road, La Jolla, California is specifically excluded herein from the definition of Leased Property, such real and/or personal property shall be considered Leased Property.

1.3 The LESSEE, as part of its agreement with the USGA, has assisted the USGA in negotiating agreements with third parties for the use of land and facilities located on or adjacent to the Torrey Pines Golf Course, namely, the Torrey Pines Club Corporation, the Lodge at Torrey Pines, Hilton La Jolla Torrey Pines, Scripps Memorial Hospital La Jolla, and the University of California at San Diego [the Third Party Vendors]. The USGA has or intends to enter into agreements with the Third Party Vendors for the use of such property [the Third Party Use Agreements]. CITY agrees to support the USGA and the LESSEE in connection with negotiations concerning the Third Party Vendors as set forth in the Third Party Use Agreements and, pursuant to the terms of this Lease, to grant access to the Leased Property to the USGA and all third parties involved in conduct of the Championship and/or events and activities associated with the Championship for the preparation, conduct, and tear down of the Championship. Upon the occurrence of any circumstance, other than any circumstance caused primarily by the USGA, that may lead to the inability of the USGA and/or the Championship to utilize any of the necessary and required portions of such land and/or facilities that are the subject of any Third Party Use Agreements, LESSEE may, if so requested by the USGA, (i) terminate this Agreement,

effective immediately upon written notice to CITY or (ii) cause CITY to support and assist LESSEE and the USGA with entering into an alternate agreement acceptable to the USGA to replace such land and/or facilities.

1.4 LESSEE, whenever referred to in this Lease, shall also mean its sub-lessees and assigns of any rights granted LESSEE pursuant to this Lease.

SECTION 2: PURPOSE AND USE

The Leased Property shall be used for the purpose of preparation, conduct and tear down of the Championship and all related activities and for no other purpose without the prior consent of the CITY, which consent shall not be unreasonably withheld.

SECTION 3: LEASE TERM

The term of this Lease shall be as follows:

3.1 Non-Exclusive Lease Term. CITY grants LESSEE, non-exclusive use of the Leased Property during the following time periods:

3.1.1 Commencing upon execution of this Lease by both parties, up to but not including June 8, 2008, the date on which the exclusive lease period begins; and

3.1.2 Commencing at 12:01 a.m. on the third day following the conclusion of the Championship through the date which is seventy-five (75) days after the conclusion of the Championship.

During the non-exclusive lease period and upon reasonable notice to the CITY, LESSEE's right to utilize the Leased Property shall be limited in use for the purpose of planning, coordinating and implementing plans for the conduct of the Championship and all activities related thereto or being conducted in conjunction therewith, and for dismantling and removing all temporary structures erected for the Championship and other Championship related items. During the non-exclusive lease period and to the extent practicable, LESSEE shall coordinate its use of the Leased Property with the CITY's Golf Operations Manager to minimize any impact on day-to-day operations of the Courses.

3.2 Exclusive Lease Term. CITY grants LESSEE exclusive use of the Leased Property during the period beginning at 7:00 a.m. on Sunday, June 8, 2008 and ending at 12:01 a.m. on the third day following the conclusion of the Championship. CITY further grants LESSEE, for the sole benefit and use of the USGA, exclusive use of the Championship Course up to five (5) days during the calendar year 2007 and/or 2008 for the purpose of holding golf outings for advertisers, corporate clients, the press and other special guests of the USGA. The exact dates of the exclusive use for such outings shall be mutually determined by the USGA and CITY. The USGA shall not be charged green or cart fees for individuals participating in these

golf outings, but shall be responsible for non-golf course related services used in connection with the outings, including but not limited to, fees for food and beverages.

3.2.1 Control of Leased Property During Exclusive Lease Term. The parties agree that during the exclusive lease term, LESSEE shall have operation and control of the Leased Property for the sole purpose of conducting the Championship, and pursuant to the terms of this Lease, shall have the authority to admit persons to the property in furtherance of that purpose, including, vendors, suppliers, or service providers (and their necessary equipment) under contract with LESSEE and/or the USGA, volunteers, staff, and ticket holders, competitors, and other guests and invitees of the LESSEE and/or the USGA. Further, it shall be the responsibility of the LESSEE (either itself or through the USGA) to safely and competently manage and control the activities on the Leased Property during the exclusive lease term.

3.3 Additional Tee Times. In addition, for the purpose of planning and preparing for the Championship, CITY grants LESSEE, for the sole benefit and use of the USGA, from the date of this Lease through August 1, 2008, the right for up to six (6) designated members of the USGA staff, each with or without accompanying guests, to play golf on the Courses; the parties acknowledging and agreeing that such number shall not exceed fifteen (15) groups of four (4) (or the equivalent thereof) in any one calendar year unless otherwise requested by LESSEE and reasonably agreed to by CITY. LESSEE (itself or through the USGA) shall request reservation of such times upon reasonable notice and at reasonable times and frequency. The USGA staff, as well as members of the USGA's Executive Committee, and media/press representatives specifically designated by the USGA, will not be required to pay a green fee, and any other guest charged a green fee shall be charged the resident green fee.

SECTION 4: RENT

4.1 Amount of Rent. Subject to the provisions of Sections 4.2 and 4.3 below, the rent for lease of the Leased Property is Five Hundred Thousand Dollars (\$500,000). CITY and LESSEE agree that this amount includes compensation to CITY for lost revenue to CITY during the term of this Lease caused by the exclusive use of the Leased Property during the Championship (Sections 3.2, 12.4, 12.5, 12.6, 12.7, and 12.9), the exclusive use of the Championship Course before and after the Championship Week (Section 8.2) and the non-exclusive use of the Leased Property before and after the Championship (Sections 3.1, 3.3, 12.4, 12.5, 12.9, 20.3, and 20.4), including revenue lost due to discounted green fees and decreased volume caused by pre- and post-Championship activities on the Courses.

4.2 Payment of Rent. LESSEE shall pay the rent due to CITY by cash payment pursuant to the following payment schedule:

\$250,000 [First Installment] by January 30, 2008;

\$250,000 [Second Installment] by no later than August 31, 2008, subject to reduction based on Section 4.3.

Rent shall be payable to the City Treasurer and mailed or delivered to:

Park and Recreation Department
Golf Course Operation Division
11480 North Torrey Pines Road
San Diego, CA 92037
Attn: Golf Course Operations Manager

4.3 Reduction of Second Installment of Rent. The Second Installment is subject to an adjustment based on any increase in income to CITY derived from the operations of the Torrey Pines Club Corporation [Club Corp] on the Leased Property during the period of this Lease. In this section, "Rent" shall mean all income due CITY from Club Corp as payment for the right to conduct operations on the Leased Property in any given year. The adjustment shall be calculated as follows:

The Rent received for the year of August 1, 2000 through July 31, 2001 [Initial Base Period] shall be increased by three percent (3%) each year to obtain a base period amount for any particular year [the Base Rent]. The difference between the actual Rent due to CITY from Club Corp for that year [the Actual Rent] and the Base Rent equals the reduction amount (Actual Rent - Base Rent = Reduction). If the Actual Rent is less than the Base Rent for a given year, the amount that the Base Rent exceeded the Actual Rent for that year shall be included as an offset against reductions in other years. The total cumulative yearly reductions for Fiscal Years 2002 through 2007 shall be applied as a reduction to the Second Installment (Second Installment - Total Reductions (including offsets) = Amount Due).

In no event shall the Total Reductions exceed \$250,000 or result in a credit due to LESSEE; and in no event shall the Second Installment exceed \$250,000.

In the event there is any significant change in the operations of Club Corp on the Leased Property agreed to by Club Corp and CITY and not contemplated by this Agreement, or in the relationship between Club Corp or CITY, during the period of this Lease resulting in a projected material decrease in Rent to City from the previous year, including but not limited to any significant changes to the facilities occupied and operated by Club Corp on the Leased Property, LESSEE and CITY agree to meet and negotiate in good faith any appropriate adjustment or change to this Section 4.3 to carry out the intent of the parties hereunder.

SECTION 5: COSTS

LESSEE and CITY acknowledge and agree that CITY will incur certain costs in assisting both LESSEE and the USGA in preparing for and hosting the Championship, both pursuant to the terms of this Lease and as may be requested by LESSEE and/or the USGA and agreed to by CITY. LESSEE agrees to pay for such costs directly or to reimburse CITY for such costs, to the extent set forth below.

5.1 Payment of Costs. LESSEE agrees to pay for and construct the following:

5.1.1 Any architectural or permanent structural changes to the Championship Course requested by the USGA and agreed to by the parties (Section 20.2) and that are beyond those that the CITY (i) would do in the ordinary course of action; and (ii) agreed to do at its own expense and (iii) result in architectural and/or permanent structural changes to the Leased Property, the aggregate cost of such actions or changes as directed by the USGA, including labor and materials, shall be paid by LESSEE up to the amount of Three Hundred Fifty Thousand Dollars (\$350,000.00); for requested actions or changes that exceed \$350,000, LESSEE shall either pay for such items directly and seek reimbursement for such costs through its agreement with the USGA, or, upon the mutual agreement of CITY, CITY shall incur such cost and LESSEE shall obtain reimbursement for such amounts from the USGA on the behalf of CITY; and

5.1.2 The Practice Facilities for the Championship as provided in Section 11.10.

5.2 Reimbursement of Costs. As partial payment for the Special Event Permit provided in Section 22.3.2 below, LESSEE agrees that it will reimburse CITY for the cost of police, fire, paramedic, traffic control, and other emergency services necessitated by the event. The amount of such reimbursement, not including any amounts paid under Sections 5.1.1 and 5.1.2, shall not exceed Three Hundred Fifty Thousand Dollars (\$350,000), and shall be paid prior to repayment of any other obligation LESSEE has incurred or may incur related to the Championship, except for: (i) necessary costs incurred in preparation for and in the conduct of the Championship and (ii) any necessary tax distribution to a member of LESSEE to cover a tax liability due to membership in LESSEE. CITY shall provide LESSEE a statement of costs to LESSEE no later than July 30, 2008. Reimbursement shall be made to CITY within 30 days after receipt of a statement of costs by CITY, or as otherwise agreed by the parties. LESSEE further represents that the USGA, pursuant to the Championship Agreement, has agreed to reimburse City in an additional amount as set forth in Section 22.3.2 for such costs.

SECTION 6: TITLE OF EVENT

Pursuant to the agreement between the USGA and LESSEE, CITY agrees to identify the Championship, whether orally or in writing, as the:

108th UNITED STATES OPEN CHAMPIONSHIP®

CONDUCTED BY THE UNITED STATES GOLF ASSOCIATION®

Once the foregoing identification has been made, the Championship may thereafter be referred to by CITY as the:

UNITED STATES OPEN CHAMPIONSHIP®

or the

U.S. OPEN CHAMPIONSHIP®

or the

U.S. OPEN®

or the

2008 U.S. OPEN

or the

108th U.S. OPEN

or the

NATIONAL OPEN CHAMPIONSHIP®

or the

NATIONAL OPEN®

SECTION 7: CHAMPIONSHIP LOGO

7.1 Design. The USGA may also identify the Championship by a Championship Logo, designed by the USGA, referencing the year or number played of the Championship, the Torrey Pines name, and the name of the Championship. In connection with the development and use of the Championship Logo by the USGA and LESSEE, CITY agrees that it shall permit the use of any logos, emblems and/or marks owned or controlled by CITY and related to the Torrey Pines Golf Course to be incorporated as part of the Championship Logo, including, as set forth in Section 29, the non-exclusive use of the Torrey Pines name, images of the Championship Course and related facilities, and the Championship Course design. CITY acknowledges and agrees that any and all final decisions related to the Championship Logo shall be made by the USGA in its sole discretion.

7.2 Use. Pursuant to the agreement between the USGA and LESSEE, CITY is entitled to use the Championship Logo, provided that any such use by CITY shall be limited to advertising and promotion of the Championship, including use on items used internally at the Courses by LESSEE and CITY and not intended for sale, such as score cards, placemats, paper cups, etc. CITY is also entitled to use the Championship Logo in advertising and promotion of CITY and the Torrey Pines

Golf Course provided such use is in conjunction with the statement that identifies the Torrey Pines Golf Course as the "Site of the 2008 U.S. Open Championship." All uses of the Championship Logo by the LESSEE and/or the CITY shall be subject to the prior written approval of the USGA.

SECTION 8: DATES AND PRACTICE PRIVILEGES

8.1 Championship Week. The dates of the Championship are June 12 through 15, 2008 and such succeeding day or days as may be occasioned by a play-off or postponement of any round or rounds [the Championship Period]. The three (3) days prior to the Championship, June 9, 10 and 11, shall be practice days [the Practice Days] for the Championship. In addition, the parties acknowledge and agree that the fourth day prior to the Championship, Sunday, June 8, shall be an additional practice day [the Sunday Practice Day] for the Championship and shall be referred to and included in this Lease as necessary. For purposes of this Lease, the "Championship Week" shall include the Sunday Practice Day, the Practice Days and the Championship Period, Sunday June 8 through Sunday, June 15 (in the event of no play-off or postponement). The parties acknowledge and agree that all references in this Lease to the "conclusion of the Championship" shall necessarily extend through the Championship Week and include such succeeding day or days as may be occasioned by a play-off or postponement of the Championship.

8.2 Pre-Championship Week Competitor Practice. CITY agrees that competitors shall have free non-exclusive use of the Championship Course for practice from Monday, June 2 through Saturday, June 7, 2008. CITY acknowledges and agrees that play on the Championship Course during the week of June 2 through June 7, 2008 shall be limited to Championship and USGA approved personnel and competitors.

8.2.1 During this time the competitors shall comply with all rules relating to play on the Courses, including but not limited to dress code rules and rules relating to use of golf carts. CITY shall not be obligated to give competitors preference with respect to tee times during such period; *provided, however*, that all competitors who desire to use the Championship Course for practice on any given day must be accommodated.

8.2.2 During the period beginning, Monday, June 2 through Saturday, June 7, CITY may require competitors to pay for any and all services, goods and other items they purchase from CITY at the point of sale.

SECTION 9: COOPERATION

LESSEE and CITY acknowledge and agree that the Championship is a major event which requires extensive planning and work in order to be conducted in a manner befitting a major national championship. Consequently, CITY and LESSEE acknowledge that it is vital that each party work and cooperate with the other and the USGA and support both the LESSEE and the USGA in connection with the Championship, and each party agrees to do so for the period beginning upon

execution of this Agreement and ending three (3) months after the conclusion of the Championship, provided that if circumstances require additional work relating to the Championship which extends beyond the end of such period, LESSEE and CITY shall work and cooperate with each other and the USGA for the length of time necessary to complete all such work. The parties further acknowledge and agree that (i) except as otherwise set forth herein, CITY and LESSEE shall obtain the prior approval of the USGA for any and all decisions made by them in connection with this Lease as they relate to the conduct of the Championship and/or the implementation of policies and procedures related in any manner to the Championship and (ii) the parties shall work together to ensure that the overall nature and experience of the Championship is, at a minimum, comparable to the 2004 through 2007 United States Open Championships [the 2004 through 2007 Championships]. CITY further agrees to: i) support the USGA and LESSEE in connection with the Championship, including, but not limited to, LESSEE's efforts in connection with negotiations concerning the Third Party Vendors set forth in the Third Party Use Agreement; ii) fully cooperate with LESSEE and the USGA to secure the support of federal, state and local entities in connection with the Championship; (iii) use its best efforts to ensure that nothing, in its direct and/or indirect control, will interfere with the conduct of the Championship pursuant to the terms of this Lease; and (iv) focus on the administrative, physical, financial and other arrangements for the Championship which require resolution at the earliest possible date.

SECTION 10: RIGHTS AND RESPONSIBILITIES

LESSEE and CITY shall each have the rights and responsibilities with respect to the Championship which are allocated to it pursuant to this Lease. The parties acknowledge that, unless otherwise agreed to by the USGA, any right, including but not limited to, rights to revenues, and/or responsibility relating to or in any way connected to the Championship which is not specifically allocated to LESSEE or CITY pursuant to this Lease shall be the exclusive right and/or responsibility of the USGA. CITY and LESSEE acknowledge that from the date hereof up through and including the commencement of the Championship, the USGA has the right to make certain modifications and improvements to operations associated with the overall conduct of the Championship. As such, CITY and LESSEE acknowledge and agree that they shall, at a minimum, assist and cooperate with the USGA in maintaining the standards related to the Championship and set forth and implemented by the USGA for the 2004 through 2007 Championships.

SECTION 11: LESSEE'S OBLIGATIONS

In addition to its other obligations set forth in this Lease, and except as otherwise specifically set forth in this Lease, LESSEE agrees to do the following with respect to the Championship, at no cost to CITY:

11.1 Services. LESSEE shall cause the USGA to arrange for all services necessary for the conduct of the Championship including, but not limited to: erecting scoreboards; press room accommodations; parking lots; daily sanitizing of all restrooms, including pumping of holding tanks

of any field restrooms used during the exclusive lease period; providing portable toilets (in sufficient quantity to comply with any requirements of local health officials); daily trash pickup and removal; tee blocks and flagpoles; construction and dismantling of all tents, trailers and other temporary structures; and all other Championship-related activities, projects, and gallery accommodations.

11.2 Concessions. CITY authorizes the USGA to operate and control all concessions, including alcoholic beverages, on the Courses related to the Championship during the period of this Lease in which LESSEE has exclusive use of the Leased Property, and for the USGA and LESSEE to receive and retain all profits from the concessions, provided, however, that the prior written permission of any relevant Third Party Vendor has been obtained in advance by the USGA or LESSEE. LESSEE hereby represents to CITY, and CITY acknowledges, that the USGA has executed agreements with the relevant Third Party Vendors to obtain such permission prior to the date hereof.

11.3 Agronomy. LESSEE agrees, pursuant to its agreement with the USGA, to make available to CITY the advisory services of the Director, USGA Championship Agronomy, in connection with the preparation and maintenance of the Championship Course for the Championship for the period beginning upon execution of this Agreement through the conclusion of the Championship. The timing and extent of such advisory services to be provided to CITY shall be mutually determined by LESSEE and the USGA.

11.4 Status Reports. LESSEE agrees to advise CITY periodically, either itself or through the USGA, as to the status and nature of the arrangements for the Championship. The time, nature and location, if applicable, of conveying such information shall be determined by the USGA and LESSEE and conveyed to CITY in a reasonably timely and acceptable manner, however LESSEE agrees that it will promptly convey any such information it receives from the USGA.

11.5 Special Event Permit. LESSEE agrees to cause the USGA to obtain a Special Event Permit, as set forth in Section 22 of this Lease for the conduct of the Championship.

11.6 Vendor Insurance and Access. Four (4) months prior to the Championship, LESSEE agrees to deliver to CITY the USGA's list identifying the USGA's known vendors who will be working on the Championship, along with all proofs of insurance obtained for each vendor, pursuant to Section 26.4 of this Lease.

11.7 Maintenance, Operation, and Restoration Plans. The parties acknowledge that the USGA has agreed, pursuant to the Championship Agreement, to formulate and implement renovation, maintenance, operation, and restoration plans for the Courses, as set forth below.

11.7.1 Operation Plan. LESSEE shall provide to CITY, either itself or through the USGA, an operating plan for the conduct of the Championship, including projected ticket sales and

overall attendance and occupancy limitations, locations of facilities and equipment, and a timeline that specifies the use of the Leased Property, particularly as such use may affect the North Course, as well as a brief analysis of the potential effect such construction-related uses may have on the applicable facilities. The operating plan shall be developed at the discretion of the USGA in consultation with CITY and LESSEE, and a summary thereof submitted to CITY for review as early as practicable, but in any event no later than ninety (90) days prior to the commencement of the Championship Period. CITY shall retain the right to approve, through LESSEE, such approval not to be unreasonably withheld, any material aspect of the operating plan pertaining to the location of equipment, grandstands and facilities, or other related activity, solely to the extent that the same may negatively impact the environment, or otherwise affect public health, safety or welfare.

11.7.2 Restoration Plan. Recognizing that pedestrian and general golf cart and/or other vehicular traffic will cause normal "wear and tear" to roughs and crossings in fairways customary for a United States Open Championship and the parties agreeing that the USGA or LESSEE shall not be required to replace turf that the parties reasonably conclude will return to its pre-Championship condition with irrigation and other care customarily provided by CITY's grounds keeping staff, LESSEE agrees to work in conjunction with CITY and the USGA to develop a plan for the restoration and repair of sections of the Courses upon completion of the Championship [the Restoration Plan], including but not limited to, an arrangement whereby the USGA shall: (i) remove temporary access roads and paths and restoration of affected terrain; (ii) replacement of shrubs and bushes that have been removed or damaged beyond repair; and (iii) repair of areas that have suffered damage due to major construction or activity directly associated with the Championship. The parties further acknowledge and agree that: (x) the Restoration Plan shall be developed within thirty (30) days from the conclusion of the Championship; (y) they shall mutually agree upon the cost and efficiency thereof, as well as the extent to which the Restoration Plan will restore such affected areas of the Courses in as timely a manner as practicable and at LESSEE's reasonable expense; and (z) at the very least, implementation of the Restoration Plan shall commence within ninety (90) days from the conclusion of the Championship. LESSEE acknowledges and agrees that the USGA shall have the obligation at all times to use its good efforts to return the Courses to playing condition upon conclusion of the Championship as soon as is practicable.

11.8 Volunteers and Staffing. Except for personnel to be provided by CITY pursuant to Section 20 below, LESSEE shall supply individuals (either volunteers or paid workers at LESSEE's expense) to meet the needs of the USGA in staffing the Championship and related activities.

11.9 Security. LESSEE, through its agreement with the USGA, shall provide security for the Leased Property during the exclusive term of this Lease.

11.10 Practice Facilities. LESSEE agrees to construct the practice facilities required for the Championship as directed by the USGA [the Practice Facilities]. The area to be used as Practice Facilities shall be located on USGA-determined areas of the North Course, and shall include a teeing area of a size so that at least thirty-five (35) players can practice simultaneously. Such Practice

Facilities must have playing conditions similar to those of the Championship Course as developed and determined by the USGA's agronomists pursuant to Section 20 below and must be acceptable to the USGA, in its sole discretion. In the event any Practice Facility is not acceptable to the USGA, LESSEE shall make all changes that are necessary to make such Practice Facility acceptable to the USGA.

SECTION 12: CITY'S OBLIGATIONS

In addition to its other obligations set forth in this Agreement, CITY agrees to do the following with respect to the Championship at no cost to LESSEE except as otherwise specifically set forth in this Lease:

12.1. Conditions of Play. City agrees to the conditions of play for the Championship as determined by the USGA.

12.2. Preparation for Championship. CITY agrees to make such improvements in the preparation of the turf and landscaping of the Leased Property prior to the Championship as necessary to comply with the Agronomic Plan and other USGA instructions, subject to Sections 11.3 and 20.1. CITY further agrees to coordinate with LESSEE (i) in LESSEE's construction of the Practice Facilities as defined in and subject to Section 11.10, and to provide all related equipment owned and/or used by CITY (*e.g.*, ball washing equipment, range ballpicker, etc.) to be used by the USGA and competitors during the Championship Week, and (ii) in LESSEE's construction of any architectural or permanent structural changes as defined in Section 5.1.1.

12.3 Stakes. CITY agrees to provide stakes acceptable to the USGA for marking specific areas on the Championship Course, including but not limited to, water hazards and out of bounds. The number and type of stakes to be provided by CITY shall be determined by the USGA, in its sole discretion.

12.4 Parking and Facilities. CITY agrees to provide areas and facilities on the Leased Property (other than any areas utilized by the USGA pursuant to the Third Party Use Agreements) for parking cars and other vehicles, for locating facilities and equipment which shall be utilized in connection with the Championship, including but not limited to, the hospitality facilities, retail merchandise facilities, the press center, catering compounds and facilities, concession stands and equipment used by any broadcasting company designated by the USGA. The USGA has agreed that it shall make and inform CITY through LESSEE of the initial selections of all such locations. After the USGA has informed CITY of its selection, CITY may propose changes to LESSEE for consideration by the USGA. LESSEE and CITY agree that the USGA has the right to make the final location selections in its sole discretion.

12.5 USGA Office for Championship. CITY shall use its best efforts to provide an area

or areas in the clubhouse and/or other facilities located on the Leased Property (or, in the alternative and at the request of the USGA, assist the USGA with providing such requirements in an area or areas contained in one or more of the Third Party Use Agreements), as requested by the USGA, to be used exclusively by the USGA as its Championship offices for the times and dates specified by the USGA. In the event CITY is unable to provide any or all such area(s), CITY agrees that the USGA has the right to provide a trailer or trailers, at its own expense, which shall be located near the clubhouse, or in any other location selected by the USGA, for the USGA's offices. CITY shall not be responsible for furnishing the area(s) or trailer(s), or providing office equipment.

12.6 USGA Hospitality Area. If requested and as determined by the USGA, CITY agrees that LESSEE has the obligation and right to provide a hospitality area in the clubhouse or on or about the Leased Property (or, in the alternative and at the request of the USGA, CITY will support LESSEE in assisting the USGA with providing such requirements in an area or areas contained in one or more of the Third Party Use Agreements) large enough to accommodate seating for a minimum of two hundred fifty (250) people from Monday, June 9 through the conclusion of the Championship, for the USGA's exclusive use for officials, staff and guests.

12.7 Competitor Hospitality Area. CITY agrees that LESSEE has the obligation and right to provide a hospitality area in the clubhouse or on or about the Leased Property (or, in the alternative and at the request of the USGA, CITY will support LESSEE in assisting the USGA with providing such requirements in an area or areas contained in one or more of the Third Party Use Agreements), as determined by the USGA, large enough to accommodate seating for a minimum of two hundred twenty five (225) people, for the exclusive use of competitors, their immediate families and guests (the "Competitor Hospitality Area"), for the Championship Week. The parties acknowledge and agree that the USGA, in its sole discretion, may elect to use other non-CITY facilities (including, but not limited to, areas contained in one or more Third Party Use Agreements) in connection with the provisions set forth in Sections 12.5, 12.6 and 12.7.

12.8 Notification. CITY agrees to notify LESSEE immediately as to any issues or problems which arise relating to labor unions. CITY agrees to assist the USGA, at the USGA's request, with all matters relating to labor unions.

12.9 Vendor Access. CITY agrees to provide access to the Leased Property to vendors who are providing services to LESSEE or the USGA for the Championship at such times, for such periods and in such manner as indicated by LESSEE or the USGA. CITY shall have the right to deny such access to vendors only if the contemplated access will cause extensive and/or irreparable damage to the Courses in the reasonable and mutual opinion of CITY and LESSEE. In such a case, CITY shall use its best efforts to provide alternative access which will satisfy the relevant vendors' requirements.

12.10 USGA Pre-Championship Office Space. City agrees to provide office space in a facility mutually agreed upon by CITY and USGA for USGA Staff beginning two (2) years prior to

the Championship and concluding no earlier than sixty (60) days following the conclusion of the Championship. The USGA shall pay CITY a reasonable fee for the use of such space, such fee to be mutually agreed upon by CITY and the USGA. If the USGA determines that there is not adequate space for such area within existing facilities owned and operated by CITY and/or areas that are the subject of any of the Third Party Use Agreements, the USGA will provide a trailer or trailers for its own use and at its expense at an USGA-determined location on the Leased Property as agreed to by CITY.

12.11 CITY Employees. In connection with any personnel supplied by CITY, CITY represents and warrants that it has a sound understanding of the level of professionalism, decorum, courtesy and respect required by the USGA in connection with the Championship and the treatment of the public at the Championship. In connection therewith, CITY further represents and warrants that (i) its employees shall act in a sound, professional manner consistent with the high standards of the USGA; (ii) based on reasonable inquiries and its reasonable efforts, it will have no knowledge or concern related to the background of any employee, nor any experience with any employee, that would cause it to doubt or question, to any degree, the ability and capacity of any employee to perform its obligations under this Agreement and/or directly or indirectly represent CITY and/or the USGA in a sound, professional and appropriate manner consistent with the objectives and high standards of the USGA; (iii) it shall be solely responsible for any and all actions of its employees throughout the performance of its obligations under this Agreement and (iv) based on reasonable inquiries, past experiences and its professional judgment, none of its employees shall adversely affect the objectives and high standards of the USGA in connection with the Championship and/or the treatment of the public at the Championship due to the presence of any such employee at the Championship. Furthermore, in connection with personnel supplied by CITY, the parties acknowledge and agree that CITY staff shall assist with Championship-related activities at no cost to the USGA throughout the Championship Period and (ii) no cost related to such personnel shall be borne by the USGA. In connection with the requirements set forth in this Section 12.11, CITY acknowledges and agrees that it shall permit and cooperate with the USGA to the extent the USGA determines to institute any additional procedures to ensure the adequacy of such personnel and volunteers and the safety of the Championship, competitors and attendees, including, but not limited to, the performance of background checks; the parties acknowledging and agreeing that the cost of any such additional background checks shall not be borne by CITY.

12.12 Green Fees. Unless otherwise approved by the USGA, for the period beginning July 1, 2005 and ending one (1) year following the Championship, CITY agrees that the current green fee payable by CITY residents for use of the Championship Course shall not be increased by any more than a percentage corresponding to any increase necessary to reflect the effect of inflation as demonstrated by the C.P.I. All-Urban Index published by the U.S. Bureau of Labor Statistics.

12.13 Assistance with Permits. LESSEE represents that the USGA has agreed to determine which licenses and permits, if any, will be needed for conducting all aspects of the Championship for which the USGA is responsible. LESSEE and CITY agree that both parties will assist the USGA in obtaining all such licenses and permits if such assistance is requested by the

USGA, including the suspension or placement in abeyance of any licenses owned or controlled by LESSEE or CITY at the request of USGA. LESSEE further represents that the USGA has agreed that the cost of such licenses and permits will be borne by the USGA and/or by vendors providing services to the USGA.

SECTION 13: COMMITTEES

LESSEE and CITY acknowledge and agree that the success of the Championship depends on the formation of a number of committees to handle various activities required to conduct the Championship as well as the recruitment and utilization of a large corps of volunteers. LESSEE and CITY further agree that it shall be the responsibility of LESSEE working with the USGA to recruit and organize the volunteers needed for the Championship. CITY agrees to support these efforts, and LESSEE agrees that CITY personnel will be provided the opportunity to participate on a number of the committees.

SECTION 14: ADMISSIONS AND SPECTATORS

14.1 Public Event. Ticket sales for the Championship shall be made to the public.

14.2 Tickets to CITY. LESSEE shall make available to CITY 250 grounds only season tickets at a price equal to the season grounds only admission ticket charged to the general public.

14.2.1 Sales Through USGA. CITY and LESSEE acknowledge that the USGA shall retain control of the sales program, and shall determine the dates and method of the program, and shall set-up, conduct and control the procedure by which such designated individuals shall be allowed to purchase such tickets. CITY shall assist the USGA with such procedure at the request and expense of the USGA.

14.2.2 Restrictions on Tickets. CITY acknowledges and agrees that such tickets are intended to be for the exclusive use of the designated individuals. In connection therewith, no such person shall be permitted to resell or attempt to resell any of such tickets and any such resale or attempt to resell shall be grounds for seizure or cancellation of the ticket(s) without refund or other compensation and refusal to admit the relevant individual(s) to the Championship. CITY agrees to (i) convey this information to all such designated individuals; (ii) promptly notify the USGA if it learns of any such resale or attempt to resell and (iii) adhere to any and all individual ticket sale rules or regulations that the USGA may establish regarding its general sale of Championship tickets, including, but not limited to, per person purchase limitations.

14.3 Admission of Staff and Volunteers. Only those individuals assisting in the conduct of the Championship by serving as paid staff and/or volunteer workers and meeting certain minimum criteria established by the USGA in its sole discretion, may be admitted to the Championship or the

Practice Days without charge. In addition, LESSEE shall provide CITY 100 season tickets free of charge for use as complimentary tickets for officers, staff, guests, suppliers, and vendors of CITY. CITY acknowledges and agrees that neither it nor the individuals to whom such tickets are given can sell and/or re-sell any complimentary tickets and/or tickets purchased from the USGA.

14.4 Admission Policies. The parties acknowledge that the USGA shall be entitled to all receipts from all admission tickets, regardless of how sold and including spectator admission to practice rounds on the Practice Days, and/or admission to other various facilities, including the facilities included in the Leased Property, whether currently in existence or provided in the future. The parties acknowledge that the maximum number of purchasers of admission tickets to be admitted to the Leased Property on any one day shall be determined by the USGA in its sole discretion.

SECTION 15: OFFICIAL PROGRAM

15.1 Information and Photographs. CITY agrees to make available to the USGA free of charge any and all historical information, photographs and the like owned or controlled by CITY which is requested by the USGA or an entity designated by the USGA for use in the program and/or daily pairing sheets as well as for promotion of the Championship.

15.2 CITY Message. CITY shall have the right to provide a message from the Mayor and a message from the CITY's Parks and Recreation Department and one (1) advertisement for CITY, subject to advance review by the USGA and/or its designee, for inclusion in the Championship program. LESSEE shall provide CITY a number of Championship programs free of charge, such number to be mutually agreed on by CITY and LESSEE after consultation with the USGA and taking into account the relative needs of each party. In no event shall the amount of programs received by CITY be less than 25% of those allocated to LESSEE. In addition, CITY shall have the right to purchase from the USGA, or the third party licensed by the USGA to produce the program, up to that number of programs determined by the USGA at a price equal to the cost of printing such additional number of programs. The parties acknowledge and agree that this Section 15.2 is subject to any existing arrangement and/or agreement that the USGA may have with a third party in connection with the production and publication of the Championship program.

SECTION 16: COURSE MAP AND GUIDE

If requested by the USGA, CITY shall make available to the USGA, free of charge, historical information, photographs and the like owned or controlled by CITY for use in the course map and guide.

SECTION 17: HOSPITALITY TENT AND MARKETING

17.1 Hospitality Tent. In connection with the provision of hospitality tents at the Championship, LESSEE shall arrange for the USGA to provide to CITY at the USGA's "cost" (such "cost" price to include, but not be limited to, tent rental and décor fees, landscaping and portable restroom facility, utility and security allocations) one (1) hospitality tent for CITY and its guests. City acknowledges and agrees that such tent shall (i) not be resold, repackaged or transferred in any manner whatsoever and (ii) that the location of the tent shall be determined by the USGA, after review of any input by LESSEE and CITY.

17.2 Marketing Event. CITY acknowledges that the USGA and LESSEE will be cooperating in the design and implementation of a marketing plan in connection with corporate participation in the Championship. In connection with such marketing program, CITY agrees that if CITY and LESSEE mutually agree to host a corporate client golf outing in addition to those already contemplated by Section 3 of this Lease, CITY shall provide the Championship Course free of green or cart fees for individuals participating in such outing, but not including non-golf course related services used in connection with the outing, including, but not limited to, fees for food and beverage.

SECTION 18: FOOD AND BEVERAGE VENDORS

CITY shall provide access to the USGA's selected vendors involved with food and beverage service for the Championship to the Leased Property during the times indicated by the USGA. Except as set forth below with respect to the service of alcoholic beverages for which the USGA is responsible, LESSEE acknowledges that it, along with all applicable Third Party Vendors is responsible for, and will obtain, the necessary licenses granting permission for the sale of food and beverages by LESSEE or a Third Party Vendor, including but not limited to alcoholic beverages in areas in which LESSEE or any such Third Party Vendor provides food and beverages in connection with the Championship. The USGA has acknowledged that it, or its vendors, shall be responsible for, and will obtain, the necessary licenses granting permission for the sale of alcoholic beverages in those areas where the USGA is responsible for providing alcoholic beverages. CITY and LESSEE agree that they shall assist the USGA and/or its vendors in obtaining such licenses if requested by the USGA, including an agreement to suspend any licenses or to assist with and secure the suspension of any other relevant licenses and the sale of alcohol at cost as provided below, as required by the USGA. Unless prohibited by law, if requested by the USGA and necessary for the implementation of the Championship as determined in good faith by LESSEE and the USGA, LESSEE and/or such applicable Third Party Vendors has agreed to sell to the caterer, concessionaire and/or the USGA, as the case may be depending on which entity or entities receives the appropriate permission to purchase and sell alcoholic beverages, alcoholic beverages, in the types and quantity requested by the USGA at prices not to exceed the applicable party's cost of obtaining such alcoholic beverages.

SECTION 19: PUBLIC SCORING SYSTEM

19.1 Scoring. LESSEE and the USGA shall provide and be responsible for all phases of the scoring operation, including but not limited to the electronic scoring system. CITY shall have no obligation to provide equipment or upgrades for scoring information other than as set forth in this Section 19 or otherwise in this Agreement. The USGA may, or may contract with a company or companies [the Electronic Scoring Company] to provide equipment and personnel for electronic computation and display of scores. All scoring information shall be the property of the USGA and/or the Electronic Scoring Company.

19.2 Telephone Lines. The USGA may use any existing telephone lines at the Courses for the communications systems used with respect to scoring and may arrange for the repair of existing lines and/or additional lines, if necessary, at the USGA's expense; and

19.3 Authorized Use. CITY agrees that it will not, and it will not authorize any other person or entity to, utilize the USGA's and/or Electronic Scoring Company's scoring information and/or presentation of information, in whole or in part, in any manner whatsoever, including but not limited to manipulation of such information or presentation, without (i) the USGA's and the Electronic Scoring Company's express permission, and (ii) publicly giving the USGA and/or the Electronic Scoring Company, as the case may be, appropriate credit for its or their role in providing such information and/or presentation.

SECTION 20: CONDITION OF LEASED PROPERTY

20.1 Course Improvements. Pursuant to its agreement with LESSEE and in consultation with LESSEE and CITY, the USGA shall develop an agronomic program for the Championship Course and all Practice Facilities, a copy of which shall be provided to CITY upon completion [Agronomic Plan]. Pursuant to such program, and after consultation with CITY's golf operations staff at the Courses, the USGA shall determine the playing conditions of the Championship Course and the Practice Facilities, including but not limited to, speed, firmness, grass height of playing surfaces, the need for tree trimming and/or relocation and other matters affecting play. Subject to the terms of this Section 20, CITY shall make such improvements in the preparation of the turf and landscaping of the Leased Property prior to the Championship necessary to comply with the Agronomic Plan and the USGA's instructions, and in consultation with the USGA's agronomy staff. In addition, City shall use its regular maintenance staff to assist the USGA and LESSEE in making course improvements, as such staff is available and during their regular working hours.

20.1.1 Layout of Course. CITY agrees that the USGA shall select all teeing areas and hole locations and will determine the width and contour of fairways and the extent and height of the cut of "rough" areas.

20.1.2 Trees. CITY agrees, at its cost, to transplant trees as needed to meet the requirements of the Championship as determined by the USGA. The points of relocation for such trees shall be subject to the mutual agreement of the parties.

20.1.3 Roughs. The USGA may require that the roughs, including, but not limited to, limited sections presently cut at fairway heights, be sodded or overseeded, with a species of grass to be mutually determined by the parties.

20.1.4 Championship Course and Practice Facilities. Except as to architectural and permanent structural changes and construction of the Practice Facilities which are the responsibility of LESSEE, CITY shall prepare the Championship Course in accordance with the Agronomic Plan and USGA instructions.

20.2 Architectural Changes. In addition to the other obligations and representations set forth in this Section 20, LESSEE and CITY acknowledge and agree that no architectural changes may be made to the Championship Course and/or any Practice Facilities without the written consent of each party. LESSEE, CITY, and the USGA shall be entitled to have the opportunity to witness first-hand any such architectural changes which are approved by the parties.

20.3 Use of Golf Carts. CITY agrees that for a period of six (6) weeks prior to June 9, 2008, golf carts will not be used on the Championship Course except as may otherwise be required by applicable laws. CITY further agrees that automotive transportation, including golf carts, shall not be permitted on the Championship Course or any practice facility, during the Practice Rounds or during the Championship, except by the USGA or as expressly authorized by LESSEE and the USGA.

20.4 Limitations on Play. To ensure the success of the maintenance and Agronomic Plan and/or the planning and preparation of the Championship, CITY and LESSEE agree to limit play on the Championship Course prior to the Championship and during the non-exclusive period of the Lease, as follows:

20.4.1 Based on the condition of the Championship Course and to prepare the Course for the Championship, CITY and LESSEE will, in conjunction with the USGA, mutually agree to a limit on the number of rounds which may be played on the Championship Course during the period from January 1, 2008 through the start of the Championship.

20.4.2 CITY and LESSEE agree that the final two competitive rounds of a professional and/or nationally competitive golf tournament (*i.e.*, the Saturday and Sunday rounds) shall not occur on the Championship Course during the period from January 1, 2008 through the start of the Championship. In addition to the foregoing, if a professional and/or nationally competitive golf tournament is to occur to any degree at the Courses during the 2008 calendar year, CITY and LESSEE acknowledge and agree that they shall work together with the USGA to minimize any

negative impact to the Championship Course, including, but not limited to, an agreement among the parties concerning the operating plan for any such tournament.

20.4.3 CITY agrees to limit play on the Championship Course to Championship and USGA approved personnel and competitors only during the week prior to the first Practice Day (Monday June 9, 2008), and as set forth in Section 8.2.

SECTION 21: AUTOMOBILE PARKING

LESSEE shall ensure that all necessary arrangements are made to provide adequate parking and parking shuttles for the Championship at its or its designee's expense. CITY acknowledges and agrees that all parking areas in and around the clubhouse and the North Course will, and other portions of the Leased Property may, be used for parking. In connection with parking areas in and around the North Course and other areas of the Leased Property, such areas shall be agreed upon by CITY, the LESSEE and the USGA; the parties acknowledging and agreeing that the USGA shall determine the use and/or allocation of any all parking areas in and around the clubhouse. For the additional location(s) required for parking, LESSEE shall use its best efforts to assist the USGA in finding location(s) which are reasonably close to the Leased Property and are reasonably acceptable to the USGA. CITY shall make parking available for the Championship during the Championship week at Qualcomm Stadium in an amount and as requested by LESSEE or the USGA, and at no additional cost.

SECTION 22: SPECIAL EVENT PERMIT

22.1 Special Event Permit Required. LESSEE (or by its agreement, the USGA) shall apply for a Special Event Permit from the City Manager as required by San Diego Municipal Code [SDMC] sections 22.4001 through 22.4038 and this Section 22. The application shall include, as part of the information required by section 22.4012, a copy of this Lease.

22.2 Police, Security and Traffic Control. As part of the Special Event Permit process and as provided in Section 22.4, LESSEE agrees that it and/or the USGA shall provide information to and consult with CITY regarding policing, security and traffic control necessary for the Championship, including the levels of private security that the USGA intends to provide. CITY and LESSEE agree that LESSEE or the USGA, after consultation with and upon the approval of CITY's police authority, shall determine the time, location, nature, and extent of such policing, security, and traffic control within the Leased Property. CITY and LESSEE further agree that CITY, after consultation with LESSEE or the USGA, shall determine the time, location, nature, and extent of such policing, security, and traffic control outside the Leased Property. CITY acknowledges that it will be responsible for providing or paying for security for CITY storage areas or maintenance facilities and any other areas that are not part of the Leased Property.

22.3 Agreed Upon Terms. CITY agrees that the following terms and conditions are agreed to for the purposes of reviewing and issuing a Special Event Permit.

22.3.1 Use of the City Name. LESSEE is authorized to use the words “The City of San Diego,” “City of San Diego,” “Park and Recreation Department of the City of San Diego,” and “Torrey Pines Golf Course,” and a facsimile of the seal of the City of San Diego in the title and in its promotion of the Championship.

22.3.2 Fee for Special Event Permit. The fee for the Special Event Permit shall be reimbursement to CITY for the hourly wages of CITY employees or contractors used to provide emergency services during the Championship, and any other services that LESSEE and the USGA request or that the City Manager deems reasonable and necessary for the safety of Championship attendees and the public during the Championship. Such emergency services may include, but are not limited to, necessary police, fire, paramedic, and traffic control services. Such amount shall be paid as a reimbursement of actual costs expended by CITY for such services by LESSEE (in an amount not to exceed \$350,000 pursuant to Section 5.2 of this Lease) and by the USGA (in an amount that is materially consistent with such similar reimbursements made by the USGA in connection with the 2004 through 2007 Championships). CITY agrees that it will, consistent with Section 5.2, provide LESSEE and the USGA with a statement of all such costs by July 30, 2008, for payment within 30 days after receipt, or as agreed to by the parties. LESSEE acknowledges and represents that the Championship Agreement includes these provisions. The fee shall not include any amount attributable to preparation of the Leased Property for the Championship or lost revenues that would otherwise be generated by the Torrey Pines Golf Course during the term of this Lease. CITY agrees that the amounts paid by LESSEE and the USGA pursuant to this section shall be the entire amount paid by LESSEE and the USGA for City permits, including the Special Event Permit.

22.3.3 Staging Area; Reviewing Stands; Disbanding Area. As to SDMC section 22.4012, subsections (l), (n), and (o), CITY agrees that the Leased Property shall be used for staging before the Championship, assembly, reviewing stands, and disbanding after the Championship.

22.3.4 Authority of Sponsor, Location, Dates and Times, Insurance. As to SDMC section 22.4012, subsections (b), (e), (f), (g), (h), (i), (j), (k), and (y), CITY agrees that the information contained in this Lease, or obtained in the course of negotiating this Lease, satisfies these subsections.

22.3.5 Not Applicable. As to SDMC section 22.4012, subsections (d) (as duplicative of (c)), (m), (p), (r), (s), and (t), CITY agrees that those subsections do not apply.

22.4 Information to be Provided by LESSEE. The application for a Special Event Permit shall include sufficient information responsive to subsections (a), (c), (u), (v), (w), (x), (z), and (aa) of

SDMC section 22.4012, to enable the City Manager to assess and make provision for traffic and other impacts during the Championship, in accordance with SDMC sections 22.4013 and 22.4014.

22.5 Issuance of Special Event Permit. After application by LESSEE, review by the City Manager, and determination that the conditions of section 22.4013 have been met, City Manager shall issue a Special Event Permit for the Championship. City Manager, or his or her designee, shall conduct review of LESSEE's application in good faith, and shall not unreasonably withhold issuance of the Special Event Permit.

SECTION 23: RADIO AND TELEVISION BROADCASTING, MOTION PICTURE, AND OTHER RIGHTS

23.1 The parties acknowledge and agree that the USGA, as the owner of all the commercial rights relating to the Championship, shall have the sole authority to arrange for radio and television broadcast coverage of the Championship, and other uses of the Championship and excerpts thereof in any and all manner, format and media throughout the world, whether now known or hereafter devised. Such media shall include, without limitation, videocassette, CD-ROM, DVD, interactive television, Internet and other so-called "new" media. The USGA shall have the sole authority to exploit such rights in any manner it desires, including by granting the privilege of broadcasting, telecasting, photographing and filming (for all media and whether analog, digital or otherwise) on the grounds of the Torrey Pines Golf Course and in any facility or structure located on the grounds, including but not limited to, the clubhouse and any clubhouse annex, for the Championship Week. During this period, CITY and LESSEE will not allow any equipment of any broadcasting or radio company, professional photographer, video or film maker, any "new" media producer or other person or entity seeking to commercially exploit the Championship anywhere on the grounds or in any facility or structure located on the grounds, except with the express prior written consent of the USGA.

23.2 CITY and LESSEE agree to use their good efforts to ensure exclusive broadcasting, telecasting, motion picture and/or video production, Internet and/or other media or commercial privileges granted to the company or companies designated by the USGA [the Company] are not infringed. The Company shall have the right to locate cables and equipment for power transmission in and about the Leased Property, erect temporary facilities and make such other provisions as may be necessary to provide for radio, television and Internet broadcasting, web casting and production of videos and motion pictures or any other form of reproduction, representation or commercial exploitation of the Championship.

23.3 If the Championship is to be televised (and/or subject of a web cast or any other method of transmission to individuals not attending the Championship in person), to the extent the USGA is unable to provide the Company with the following items as a result of the Championship Agreement and/or its utilization of the property subject to the Third Party Use Agreements, CITY agrees that it will work with LESSEE and the USGA to provide the following:

23.3.1 Access to the Leased Property, including the Courses, for Company production, engineering and administrative personnel and all necessary equipment, including, but not limited to, towers and vehicles on which cameras will be mounted during the times indicated by the USGA, as well as equipment needed for Internet production. The location for and details regarding the movement of such equipment shall be determined by the USGA and/or the Company.

23.3.2 An area for the Company to use as a compound for storage of the Company's equipment and any other uses(s) desired by the Company. CITY agrees that the location of such compound shall be selected by the USGA, in its sole discretion;

23.3.3 Free parking as near as possible to the Company's production compound for Company production, engineering and administrative personnel and necessary equipment, as well as preferred parking spaces free of charge for use of guests of the Company, the number of which shall be reasonably determined by the USGA and communicated to LESSEE and CITY; and

23.3.4 Area(s) for the Company to use as a hospitality area(s), the location of which shall be determined by the USGA after consultation with the Company, with the objective that such areas(s) shall be among the most favorable hospitality locations on the grounds, in a region separate and apart from other hospitality operations.

23.3.5 CITY agrees to provide the Company access to existing power outlets on the grounds of the Leased Property and the right to add to such existing lines if necessary. The cost of such access and improvements, if necessary, and/or power shall be borne exclusively by the Company.

23.4 LESSEE represents and the parties acknowledge that as part of the Championship Agreement, the USGA has agreed to use its best efforts, as does LESSEE, to ensure that the USGA's contract with the Company provides that: (i) the Company shall pay for the cost of repairing any damage which the Company causes to the Leased Property; (ii) the Company shall indemnify against any loss or legal action relating to the Company's actions in connection with the Championship, and (iii) the Company shall include CITY as an additional insured on its relevant insurance policies. To the extent LESSEE makes any recovery from Company or the USGA for any loss suffered by or legal action brought against CITY, LESSEE shall pay such amounts to CITY. CITY agrees that any disputes between the Company and LESSEE and/or CITY as to the cause of property damage or the fairness of cost of repair which are not covered by the Company's insurance policies shall be submitted to the USGA's Executive Director for impartial arbitration that shall be binding on all parties.

23.5 The parties agree that the terms of this Section 23 may change or be modified as requested by the USGA, in order to (i) achieve conformity with the 2004 through 2007

Championships and/or (ii) account for any and all technological advances and/or changes that may occur from the date hereof up through and including the 2004 through 2007 Championships.

SECTION 24: INTERNET

24.1 The parties acknowledge and agree that the USGA shall have the sole and exclusive right to develop a site or other preserve on the Internet for the purpose of promoting and commemorating the Championship [the Championship Website]. Such Championship Website shall be the official website of the Championship and the USGA shall promote it as such. CITY and LESSEE acknowledge and agree that the USGA shall develop the Championship Website and make all decisions relating thereto, in its sole discretion and that in the event the Championship Website generates revenues, all such revenues shall belong exclusively to the USGA.

24.2 In connection with such Championship Website, CITY agrees to provide the USGA, at its request, with information, pictures, video etc. about the Torrey Pines Golf Course, including but not limited to, a hole by hole description of the Championship Course, photographs or images of each hole, including computer generated images, images of the Golf Course and information regarding the Golf Course and its history, to the extent CITY has such information, photographs and/or images, video, etc. available. To the extent necessary, CITY will give the USGA and/or any third party assisting the USGA, access to such materials for the purpose of selecting which materials, if any, are suitable for the Championship Website. Any costs associated with duplicating, enlarging or otherwise associated with the USGA's use of such materials in connection with the Championship Website shall be borne by the USGA. In addition, CITY agrees to give the USGA and any third party requested by the USGA who is assisting the USGA with the Championship Website and/or obtaining content for the Championship Website, access to the grounds of the Torrey Pines Golf Course for the purpose of taking photographs, video etc. to be used on the Championship Website. Such access shall be provided free of charge and all materials resulting therefrom shall be the exclusive property of the USGA or the relevant third party, provided that if the third party is to retain rights in the work product generated, the parties shall discuss what limitations, if any, shall be placed on the exploitation of such rights by the relevant third party. The USGA through LESSEE shall give CITY reasonable notice of any time it requires access to the grounds for the reasons described herein and the CITY through LESSEE and the USGA shall mutually agree on a convenient time for such access.

24.3 CITY and LESSEE acknowledge and agree that CITY and LESSEE shall also have the right, by virtue of LESSEE's agreement with the USGA, to promote the Championship on an existing or future website devoted to LESSEE and/or CITY, as applicable. Under no circumstances, however, may any such website contain a mark of the USGA in its domain name. The parties agree that for any such existing domain names that are currently registered or owned by LESSEE or CITY and include marks of the USGA, variations of USGA marks or marks which are confusingly similar to USGA marks, each party shall take all necessary action to assign such domain names to the USGA and shall stop any and all uses of such domain names as of the date of this Lease.

24.4 The parties agree that the content of any site promoting the Championship shall be focused on information regarding the fact of the Championship being conducted at the Torrey Pines Golf Course and/or in the City of San Diego, as well as information pertinent to activities relating to the Championship that LESSEE or CITY is carrying out in connection with this Lease or LESSEE's agreement with the USGA. Examples of relevant information may include information about ticket sales, parking, accommodations, corporate hospitality packages, volunteer information, etc. The parties acknowledge and agree that in no event may any Championship related merchandise be shown or sold through any such website, such right belonging exclusively to the USGA.

24.5 The parties agree that in the event either party elects to include information about the Championship on its website, LESSEE or CITY, as the case may be, shall put together a proposal outlining the relevant content to be included for approval by the USGA. Once any such proposal is approved, the party shall develop the relevant webpages and submit each proposed page to the USGA for approval, including, but not limited to, any advertisements that may appear on such website. LESSEE and/or CITY shall make all changes to the webpages requested by the USGA and shall not put any page or material relating to the Championship up on the Internet without the approval of the USGA. All changes or additions to the Championship related content shall also be submitted to the USGA for approval prior to inclusion of such changes on the website.

24.6 In the event that the Championship Website and a CITY and/or LESSEE website are up and running at the same time, the parties agree that each website shall contain a link to the other to permit users to have ease of access to both websites. The parties shall agree upon the design and location of such links.

24.7 The parties agree that the terms of this Section 24 may change or be modified as requested by the USGA, in order to (i) achieve conformity with the 2004 through 2007 Championships and/or (ii) account for any and all technological advances and/or changes that may occur from the date hereof up through and including the 2004 through 2007 Championships.

SECTION 25: INDEMNIFICATION

25.1 Indemnification by LESSEE. LESSEE agrees to indemnify, defend and hold harmless CITY and its elected officials, directors, officers, employees and agents from and against all claims, liabilities, losses, damages, expenses, accidents and occurrences (including all attorneys' fees and other costs of investigating and defending against such claims, liabilities, losses, damages, expenses, accidents or occurrences) arising out of, relating to, or in connection with, all activities pertaining to the Championship and/or the conduct thereof, provided, however, that LESSEE's indemnity shall not extend to any claims, liabilities, losses, damages, expenses, accidents or occurrences arising out of, relating to, or in connection with (i) the gross negligence of CITY and/or any of its elected officials, directors, officers, employees, vendors or agents; (ii) the use of automobiles owned or leased by CITY, unless it is in the custody, care or control of LESSEE, the USGA, their agents, employees, volunteers, or guests; (iii) any food and beverage service for which

CITY is responsible, including but not limited to such service during the Championship; (iv) the regular upkeep and maintenance of the Leased Property and its grounds and facilities, but specifically excluding maintenance performed at the request and under the supervision of the USGA; (v) activities of or at the Leased Property which do not relate at all to the Championship and/or (vi) activities of CITY which do not occur on the Leased Property and/or in an area controlled by LESSEE pursuant to this Lease and/or in an area controlled by the USGA pursuant to the Championship Agreement.

25.2 Indemnification by CITY. CITY agrees to indemnify, defend and hold harmless LESSEE and its directors, officers, employees and agents from and against all claims, liabilities, losses, damages, expenses, accidents and occurrences (including all attorneys' fees and other costs of investigating and defending against such claims, liabilities, losses, damages, expenses, accidents or occurrences) arising out of, relating to, or in connection with (i) the gross negligence of CITY and/or any of its directors, officers, employees, vendors or agents; (ii) the use of automobiles owned or leased by CITY, unless it is in the custody, care or control of LESSEE, the USGA, their agents, employees, volunteers, or guests; (iii) any food and beverage service for which CITY is responsible, including but not limited to such service during the Championship; (iv) the regular upkeep and maintenance of the Leased Property and its grounds and facilities, but specifically excluding maintenance performed at the request and under the supervision of the USGA; (v) activities of or at the Leased Property which do not relate at all to the Championship and/or (vi) activities of CITY which do not occur on the Leased Property and/or in an area controlled by LESSEE pursuant to this Lease and/or in an area controlled by the USGA pursuant to the Championship Agreement.

25.2 Accident Reports. LESSEE shall report to CITY any accident causing more than Ten Thousand Dollars (\$10,000) worth of property damage or any serious injury to persons on the Leased Property caused solely by or in connection with the Championship. This report shall contain the names and addresses of the parties involved, a statement of the circumstances, the date and hour, the names and addresses of any witnesses, and other pertinent information.

25.3 Entry and Inspection. CITY reserves and shall always have the right, but not the obligation, to have its Golf Operations Manager enter the Leased Property for the purpose of viewing and ascertaining the condition of the same, or to protect its interests in the premises, or to inspect the operations conducted thereon. The rights reserved in this section shall not create any obligations on CITY or increase obligations elsewhere in this lease imposed on CITY.

25.4 Possessory Interest Tax. LESSEE is advised, pursuant to Revenue and Taxation Code section 107.6, that this Lease may create a possessory interest which is subject to property taxation and accordingly, that LESSEE shall be responsible for such payment or any proceedings in connection therewith.

SECTION 26: INSURANCE

26.1 With respect to insurance coverage for all activities relating to the Championship and/or the conduct thereof covered by the indemnification contained in Section 25 above, LESSEE, or, as provided in the Championship Agreement, the USGA, shall arrange for coverage either through a special event policy or existing policies. All policies required by this Lease shall be kept in full force and effect at the expense of LESSEE, or cause to be kept in full force and effect by the USGA, at all times during its entry onto or occupation of the Leased Property pursuant to the terms of this Lease. Such coverage shall cover the following risks, or the equivalent thereof, in such amounts as are reasonable in the circumstances, provided that the Commercial General Liability insurance, or the equivalent thereof, shall be in an amount at least equal to twenty million dollars (\$20,000,000) per occurrence and twenty million dollars (\$20,000,000) in the aggregate:

26.1.1 Commercial General Liability:

Premises and Operations Coverage arising from the Championship itself;
Products/Completed Operations Hazard Contractual Insurance;
Broad Form Property Damage;
Independent Contractors;
Personal Injury; and
Vendors Liquor Liability

26.1.2 Comprehensive Automobile Insurance:

Liability for Hired and Non-Owned Vehicles (Courtesy Cars);
Comprehensive and Collision Coverage for Courtesy Cars (\$500 Deductible);

26.1.3 Garage Keeper's Liability:

Including Garage Keeper's Legal Liability (Comprehensive and Collision)

26.1.4 Workers' Compensation:

Statutory (Covering employees of the USGA)

26.2 Ninety (90) days prior to the first Practice Day (June 9, 2008), LESSEE shall provide CITY with a Certificate of Insurance, reasonably acceptable to CITY naming the City of San Diego, and its respective elected officials, officers, employees, agents, and representatives as additional insureds.

26.3 LESSEE shall, through its agreement with the USGA, ensure that the City of San Diego (and its respective elected officials, officers, employees, agents, and representatives) is named as an also insured on policies of insurance with the same coverage and in the same amounts as those required by Section 26.1. Ninety (90) days prior to the first Practice Day (June 9, 2008), or as soon as LESSEE receives it from the USGA, whichever comes first, LESSEE shall provide CITY with the USGA's Certificate of Insurance, reasonably acceptable to CITY and naming the City of San Diego and its respective elected officials, officers, employees, agents, and representatives as additional insureds.

26.4 LESSEE agrees that it shall use its best efforts to ensure that any and all agreements and/or arrangements which it makes with third-party vendors and/or contractors for or in connection with the Championship shall include an agreement by the relevant third-party to (1) indemnify the CITY and its elected officials, directors, officers, employees and agents to the same extent as the indemnification of the USGA and LESSEE and (2) add CITY as an additional insured on all relevant insurance policies and (3) deliver a Certificate of Insurance to LESSEE, the USGA, and CITY, naming each as additional insureds, prior to the third-parties arrival on the Leased Property. In connection with such requirement, the LESSEE hereby covenants and agrees to send CITY copies of proposed insurance and indemnity sections from all Club Championship related agreements prior to the USGA's or LESSEE's execution thereof, with sufficient time for CITY to review such sections and make any comments it may have thereon.

SECTION 27: COMMERCIAL REVENUES

27.1 CITY agrees that it shall not, except as expressly provided herein, directly or indirectly exploit or authorize the exploitation by others of the Championship, persons competing in the Championship, the grounds, the Championship Course design or clubhouse, all as they relate to the Championship, or any elements, names, events or incidents of or connected to the Championship except (i) on terms and in a manner satisfactory to the USGA and (ii) in accordance with prior written approval from the USGA. The term "exploit" and "exploitation" as used in this Section 27.1 shall include, but not be limited to, any activity or other matter which produces, directly or indirectly, or is intended to produce revenue or any other consideration or advantage in any form. CITY further acknowledges and agrees that if it shall become aware of any situation and/or occurrence whereby the Championship, persons competing in the Championship, the grounds, the Championship Course design or clubhouse, all as they relate to the Championship, or any elements, names, events or incidents of or connected to the Championship are being exploited, it shall (i) promptly inform LESSEE and the USGA thereof and (ii) use its best efforts to work with LESSEE and the USGA to prevent such exploitation.

27.2 CITY will not authorize, without prior written authorization of the USGA, manufacturers, distributors, suppliers or any other person or entity, the privilege of having their products sold or their names, trademarks, logos and/or any other identifying mark, name or slogan seen or heard during the Championship, including, but not limited to, by those people attending the

Championship and those people viewing or listening to any broadcast of the Championship; CITY further acknowledging and agreeing that if it shall become aware of any such prohibited situation as set forth above, it shall (i) promptly inform LESSEE and the USGA thereof and (ii) use its best efforts to work with LESSEE and the USGA to prevent such prohibited actions.

27.3 The parties acknowledge and agree that the USGA shall have the exclusive right to arrange for the sale, through USGA-approved distribution channels, including the Internet, and display of articles of apparel and other merchandise bearing any (i) name or logo of the USGA and/or the Championship and/or (ii) elements, names, events or incidents of the Championship as well as the non-exclusive right to use the Torrey Pines Golf Course name, logo, facilities, including but not necessarily limited to, images thereof, and the Championship Course design as provided in Section 29. The USGA may assign such rights and any obligations related thereto to any individual or entity and CITY agrees to cooperate with all such individuals and/or entities in the preparation and execution of all necessary contracts and all other matters as set forth in Sections 28 and 29.

27.4 During the exclusive lease period and at any time as it relates to the Association and/or the Championship, CITY agrees that it will not authorize placement on the Courses, or anywhere else on the Leased Property, of any advertising, signage, billboard or other commercial display or permit commercial announcement or other mention of any advertiser or supplier, or the products or services of any advertiser or supplier without the prior written consent of LESSEE, which CITY acknowledges must be obtained by LESSEE from the USGA.

SECTION 28: LICENSE FOR USE OF ASSOCIATION SERVICE MARKS

28.1 CITY acknowledges that the USGA is the owner of the Marks set forth in Exhibit B.

28.2 In addition to the other terms and conditions contained in this Lease, LESSEE and CITY agree that their respective rights to use the Marks and the Championship Logo are subject to the following terms and conditions:

28.2.1. Use of the USGA Seal and official USGA Logo is not permitted.

28.2.2 The parties agree that nothing in this Lease shall give LESSEE or CITY any right, title or interest in the Marks except as specifically provided herein and that any and all use of the Marks by LESSEE or CITY shall inure solely to the benefit of the USGA.

28.2.3 The parties acknowledge and agree that the USGA shall have continuing control over the manner in which the Marks and the Championship Logo are used in advertising and other promotional materials LESSEE or CITY intends to use. Consequently, the parties agree to (i) submit copies of all proposed advertising and other promotional materials to the USGA for written

approval in advance of any use of such materials and (ii) not use any proposed advertising or other promotional material which has not been approved in advance and in writing by the USGA.

28.2.4 In the event this Lease is terminated prior to the Championship, any permitted use of the Marks and/or the Championship Logo by LESSEE or CITY shall be immediately terminated and the parties shall stop any and all uses of the Marks and the Championship Logo as of the date of termination.

28.3 The parties acknowledge and agree that the USGA shall have the exclusive right to all sales of products containing the Marks and/or Championship Logo. Furthermore, the parties acknowledge and agree that any and all changes or modifications to the use of the Marks and/or the Championship Logo by the parties pursuant to this Section 28 and/or Section 29 below shall be separately addressed in a written agreement entered into by both the USGA and LESSEE pursuant to Section 36.2.

28.4 The parties agree that nothing in this Lease gives LESSEE or the USGA the right to register a trademark, servicemark, or tradename or otherwise claim right, title or interest in Torrey Pines, Torrey Pines Golf Course, or the City of San Diego, by themselves and not in conjunction with a reference to either the USGA or the Championship.

SECTION 29: LICENSE FOR USE OF CITY'S NAMES, SYMBOLS AND IMAGES

29.1 CITY grants to LESSEE and the USGA the non-exclusive right to those rights owned or controlled by CITY to use the Torrey Pines name and its generally recognizable symbol(s), images of the Championship Course and the Leased Property, and the Championship Course design in connection with the conduct of the Championship and all activities associated with or connected to the Championship, in the exercise of all of the rights associated with the Championship (including the media rights referred to in Section 23) and in any advertising or promotion of, or other references to, the Championship and all activities associated with or connected to the Championship. The USGA may assign its rights under this Section 29.1 to third parties, including but not limited to, the Company broadcasting the Championship and/or the Electronic Scoring Company for the Championship.

29.2 The USGA may utilize the rights granted to it pursuant to this Section 29 in connection with the promotion and/or commemoration of the 2008 Championship, as well as past and/or future U.S. Open Championships, other USGA championships and the USGA.

29.3 The rights afforded the USGA under this Section 29 shall survive the termination of this Lease indefinitely provided that termination does not occur prior to the Championship.

SECTION 30: ACCOUNTING

30.1 LESSEE shall maintain complete and accurate records and accounts relating to all income it receives relating to the Championship including, but not necessarily limited to, sales of merchandise, rental income, reimbursements, and other monies received from the USGA. LESSEE agrees that upon reasonable advance notice, it will make all such records and accounts, available for inspection and audit by CITY from the date of execution of this Lease until eighteen (18) months following the completion of the Championship.

30.2 If CITY believes at any time that any of the financial records of LESSEE relating to the Championship, including but not limited to, reimbursable expenses and/or any payments made by one party to the other are incorrect or if LESSEE shall have failed to deliver any financial records, reports or made any payment required hereunder or requested by CITY, CITY shall have the right to conduct, or have its accountants conduct, an audit of LESSEE's books and records. LESSEE shall cooperate fully with any such audit. After the audit has been completed CITY shall deliver a copy of the results of the audit to LESSEE. If the audit determines that the relevant records, reports, financials or payments were inaccurate and such inaccuracies negatively impacted CITY, LESSEE shall take whatever measures are necessary to rectify such negative impact, including but not limited to paying any amounts which are owed to CITY. In the case of a material negative impact, LESSEE shall also reimburse CITY for its costs and expenses relating to the audit.

30.3 CITY shall maintain complete and accurate records and accounts relating to all expenses incurred by CITY as a result of assistance supplied to LESSEE and/or the USGA at the USGA's request and for which either LESSEE and/or the USGA has agreed to reimburse CITY. Such records and accounts shall include itemized statements of income and expenses relating to the relevant activity together with copies of receipts, invoices and other back-up documentation [Supporting Schedules]. CITY agrees that upon reasonable advance notice, it will make all such records and accounts, including but not limited to, the Supporting Schedules, available for inspection and audit by LESSEE and/or the USGA from the date of execution of this Lease until eighteen (18) months following the completion of the Championship. With respect to expenses incurred by CITY which the USGA has agreed to reimburse, LESSEE and/or CITY shall submit copies of the relevant records together with Supporting Schedules to the USGA. LESSEE represents that the USGA has agreed that it shall reimburse LESSEE for all reimbursable expenses within thirty (30) days from the date of receipt of the invoice at the USGA's Accounts Payable Department in Far Hills, New Jersey. Any of such reimbursed expenses due to CITY will promptly be provided to CITY following their receipt by LESSEE from the USGA.

30.4 LESSEE represents that the USGA, as part of the Championship Agreement, has agreed to make certain records available to CITY that relate solely to (i) the food and beverage component of applicable Third Party Use Agreements, if allocated to applicable Third Party Vendors, and (ii) certain vested rights CITY may have in such agreements (i.e., taxable income earned in

connection with the Championship). The USGA has agreed to use its best efforts to provide such records to CITY within six (6) months of the conclusion of the Championship.

SECTION 31: NONDISCRIMINATION

31.1 Nondiscrimination in Provision of Services. LESSEE agrees not to unlawfully discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or disability in LESSEE's use of the Leased Property, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment. LESSEE shall ensure that its subcontractors and sublessees comply with this section. Nothing in this Section shall be interpreted to hold LESSEE liable for any discriminatory practice of its subcontractors or sublessees.

31.2 Nondiscrimination in Employment. LESSEE shall not discriminate against any employee or applicant for employment on any basis prohibited by law. LESSEE shall provide equal opportunity in all employment practices. LESSEE shall ensure that its subcontractors comply with this section. Nothing in this Section shall be interpreted to hold LESSEE liable for any discriminatory practice of its subcontractors or sublessees.

31.3 Nondiscrimination in Operation of the Leased Property. CITY represents and warrants that it prohibits unlawful discrimination of any kind whatsoever in the operation and use of the Leased Property, including but not limited to, on the basis of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or disability. CITY agrees that during the Championship LESSEE may restrict certain areas to designated ticket and/or badge holders so long as LESSEE does not unlawfully discriminate in the distribution or allocation of such tickets and/or badges. CITY also represents and warrants that it will not take any action that would narrow any of its usage or non-discrimination policies from the date of this Lease through the conclusion of the Championship without consulting in advance with LESSEE, and acknowledges that if CITY's non-discrimination policies are changed such that they are less open than those of the USGA, such action could result in termination of the Championship Agreement.

SECTION 32: OWNERSHIP OF THE LEASED PROPERTY

In the event of a change in the ownership of the Torrey Pines Golf Course, LESSEE shall have the right to terminate this Agreement, effective immediately, upon written notice to CITY in the event that the new ownership is unacceptable to the USGA, in its sole discretion. CITY agrees to provide prompt written notice of any such change in ownership.

SECTION 33: COMPLIANCE WITH ALL LAWS

33.1 LESSEE shall comply with all laws, regulations, and orders of the federal, state, and municipal governments or agencies that may be applicable to LESSEE's use of the Leased Property. LESSEE shall, at its sole cost and expense, comply with all review, permitting, and other requirements of applicable municipal, state, and federal agencies and laws that apply to LESSEE's use of the Leased Property during the term of the Lease, including but not limited to the following:

33.1.1 Comply with the California Environmental Quality Act.

33.1.2 Obtain any review or permits required by the California Coastal Commission.

33.1.3 Obtain a Special Event Permit, as described in Section 22 of this Lease.

33.1.4 Comply with Title VII of the Civil Rights Act of 1964, as amended, Executive Orders 11246, 11375, and 12086, the California Fair Employment Practices Act, and any other applicable federal and state laws and regulations hereinafter enacted.

33.1.5 Comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, Section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities and requiring access for disabled persons.

33.2 CITY agrees that all acts, actions and activities of it and its employees and agents shall at all times be in material compliance with all federal, state and local laws, ordinances and statutes and all governmental rules, regulations, orders and directives. It shall be the responsibility of CITY to ascertain the existence and applicability of any of the foregoing to the acts, actions and activities of CITY and CITY shall not be entitled to rely to any extent on LESSEE or the USGA in that regard, except as is expressly authorized by LESSEE in writing. CITY represents and warrants that it is currently in, and will continue to be in, material compliance with all federal, state and local laws, ordinances and statutes and all governmental rules, regulations, orders and directives.

SECTION 34: TERMINATION

34.1 LESSEE shall have the right to terminate this Lease if CITY shall fail to perform or observe any material term, covenant or agreements contained in this Lease required to be performed or observed by CITY if the failure to perform or observe such term, covenant or agreement remains unremedied for thirty (30) days after LESSEE sends notice of such failure and its intention to terminate this Lease to CITY. If the failure to perform is not remedied by CITY at the end of the thirty (30) day period, LESSEE shall have the right to terminate this Lease effective immediately.

34.2 CITY and LESSEE acknowledge that the USGA has final authority to designate the site to be used for the Championship. Thus, any future change in venue ordered by the USGA will nullify the purpose and any remaining terms of this Lease. If the USGA changes the location of the Championship, LESSEE agrees to notify CITY, in writing, at its earliest opportunity. This Lease shall automatically terminate if the Championship Agreement is terminated by either LESSEE or the USGA.

34.3 From the date hereof up to and including December 31, 2005, CITY shall have the right to terminate this Lease if LESSEE shall fail to perform or observe any material term, covenant or agreements contained in this Lease required to be performed or observed by LESSEE if the failure to perform or observe such term, covenant or agreement remains unremedied for thirty (30) days after CITY sends notice of such failure and its intention to terminate this Agreement to LESSEE. If the failure to perform is not remedied by LESSEE at the end of the thirty (30) day period, CITY shall have the right to terminate this Lease effective immediately. CITY acknowledges and agrees that as of January 1, 2006 through the conclusion of the Term of this Lease, CITY shall only have the right to terminate this Lease if the Championship Agreement is terminated. Immediately upon any such termination by CITY as set forth above, CITY agrees to use its best efforts to promptly negotiate a lease agreement with the USGA upon terms that are materially and substantially consistent with the terms of this Lease and the Championship Agreement and that allow for the conduct of the Championship.

SECTION 35: ASSIGNMENT AND SUBLETTING

35.1 The parties hereto expressly acknowledge and agree that LESSEE shall have the right to sublease the Leased Property to the USGA and its vendors for use in holding the Championship during the term of this Lease. Other than such sublease, assignment or use by the USGA, LESSEE shall not assign this Lease or any interest therein, by operation of law or otherwise, and shall not sublet the Leased Property or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person, except employees, agents, and guests of LESSEE, to use or occupy the Leased Property or any part thereof, without the prior written consent of the City Manager or designee in each instance, which shall not be unreasonably withheld. Any such assignment or subletting without such consent shall be void.

35.2 Approval of any assignment or sublease shall be conditioned upon the assignee or sublessee agreeing in writing that it will assume the rights and obligations thereby assigned or subleased and that it will keep and perform all covenants, conditions, and provisions of this Lease which are applicable to the rights acquired. In addition, all such agreements should contain provisions indicating the sublessee's or assignee's acknowledgment of and compliance with the sections in this Lease pertaining to Insurance, Indemnification, Possessory Interest Tax, Nondiscrimination, Compliance with All Laws, Waste, and Hazardous Substances. All subleases, subcontracts and assignments are subject to approval of their terms by the City Manager and City Attorney. Pursuant to

City Charter Section 225, the City Manager may review and approve every person or entity which will have an interest in this Lease as a sublessee.

SECTION 36: MISCELLANEOUS

36.1 Entire Agreement. This Lease sets forth the entire agreement and understanding of LESSEE and CITY relating to the subject matter contained herein and supersedes any and all prior agreements, whether written or oral, between LESSEE and CITY relating to the subject matter contained herein, including but not limited to, the Memorandum of Understanding.

36.2 Amendments. No modification or amendment may be made to this Lease or be effective unless made in writing signed by LESSEE and CITY.

36.3 Waiver/Remedies. No failure or delay on the part of any party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to any party at law or in equity or otherwise.

36.4 Survival. If any term, provision, covenant or restriction of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provision, covenants and restrictions of this Lease shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

36.5 Notice. All notices, demands or other communications required by this Lease shall be made in writing and shall be delivered personally, or sent by courier, registered or certified mail, return receipt requested, postage prepaid. Every notice shall be addressed to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party:

To CITY:

Park and Recreation Department
Golf Course Operations Division
11480 North Torrey Pines Road
San Diego, CA 92037
Attn: Golf Course Operations Manager

With a Copy To:

City Attorney
1200 Third Avenue, Suite 1100
San Diego, CA 92101
Attn: Park and Recreation Advisory Attorney

To LESSEE:

Friends of Torrey Pines, LLC
c/o Gray Cary
4365 Executive Drive
Suite 1600
San Diego, California 92121
Attn: San Diego Championship Golf Association, Manager
Richard Gillette, President
Jeffrey T. Baglio, Secretary

To the USGA:

David B. Fay
Executive Director
United States Golf USGA
Golf House
77 Liberty Corner Road
Far Hills, New Jersey 07931-0708

With a Copy To:

Romaney Berson
Director, Legal Services
United States Golf USGA
Golf House
77 Liberty Corner Road
Far Hills, New Jersey 07931-0708

Any notice, demand or other communication made solely by mail in the manner prescribed in this paragraph shall be deemed to have been given and to be effective three (3) working days after the date of mailing the notice.

36.6 Counterparts. This Agreement may be executed in counterparts, which when taken together shall constitute a single signed original as though all Parties had executed the same page.

36.7 Arbitration, Law, and Venue. Any controversy or claim arising out of or relating to this Lease or breach thereof shall be settled by arbitration under the laws of the State of California and any judgment upon the award rendered by the arbitrator(s) may be entered at any court of competent jurisdiction thereof. The venue for any proceeding concerning this Lease, the interpretation or application of any of its terms, or any related disputes shall be in the County of San Diego, State of California. This Lease shall be construed in accordance with and governed by the laws of the State of California.

36.8 Time is of the Essence. The parties agree and acknowledge that time is of the essence in the performance of all duties and obligations contained in this Lease.

36.9 Hazardous Substances. LESSEE shall not use or store in or around the Leased Property any Hazardous Substance, with the exception of substances that are reasonably necessary for Championship purposes, provided that the use and storage of the substances are in accordance with applicable law. In the event of any illegal release of a Hazardous Substance solely by LESSEE and/or the USGA, LESSEE shall be responsible for all costs of remediation and removal of such substances in accordance with applicable rules and regulations. Moreover, if LESSEE knows or has reasonable cause to believe that any Hazardous Substance has been released on, around or beneath the Leased Property, LESSEE shall immediately notify CITY of such knowledge or cause for belief and shall take all actions necessary to alleviate any imminent and substantial danger to public health and safety. For the purpose of this Section, Hazardous Substances shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State of California's list of hazardous substances.

36.10 Waste. LESSEE shall not commit or suffer to be committed any waste or injury or any public or private nuisance other than as normally caused during the course of a United States Open Championship.

36.11 Additional Representations of LESSEE.

36.11.1 LESSEE is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of California, and has all requisite power and authority to carry on its business as now conducted and to execute, deliver and perform this Lease. The execution, delivery and performance by LESSEE of this Lease are within its powers, have been duly and validly authorized by all necessary action and do not contravene any provision of its operating agreement and/or its articles of organization. This Lease is a valid and binding agreement of LESSEE.

36.11.2 LESSEE represents and warrants that all references in this Lease to the Championship Agreement, and all statements made regarding the Championship Agreement are true and accurate as of the date of this Lease and that CITY is entitled to rely on all such references and statements. LESSEE agrees that should circumstances change such that a statement made in this Lease regarding the Championship Agreement is no longer accurate, LESSEE shall promptly so notify CITY.

IN WITNESS WHEREOF, this Lease is executed by CITY, acting by and through its City Manager pursuant to San Diego Municipal Code section 22.0901, and by LESSEE, acting by and through its lawfully authorized officers.

CITY OF SAN DIEGO
City Manager

Date _____

By _____

LESSEE:

Date _____

By _____

By _____

APPROVED as to form and legality this ____ day of _____, 20____.

CASEY GWINN, City Attorney

By _____

Deputy City Attorney



-  Hilton Torrey Pines
-  Lodge at Torrey Pines
-  Torrey Pines Golf Course
(Leased Property)
-  UCSD Property
-  Gliderport



1:9000

Vicinity Map



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Plot Date: 09/20/02 READ-sat

